

Message Text

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PAGE 01 GENEVA 11177 01 OF 03 201219Z
ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 OPIC-03 XMB-02 OIC-02 AF-10
ARA-10 EA-10 EUR-12 NEA-10 /173 W
-----115053 201231Z /43

R 201200Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 2331
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 01 OF 03 GENEVA 11177

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, BR
SUBJECT: ARTICLE XXVIII NEGOTIATIONS - BRAZIL

REF: STATE 169207

1. SUMMARY: ARTICLE XXVIII NEGOTIATIONS WITH BRAZIL
ADJOURNED TO RECONVENE IN MID-AUGUST. END SUMMARY
2. IN THREE NEGOTIATING SESSIONS (JULY 14, 17 AND 19)
WITH BRAZILIANS, WE WERE UNABLE TO REACH A SATISFACTORY
CONCLUSION TO NEGOTIATIONS ON BASIS OF U.S. REQUESTS
PER UNNUMBERED TPSC DOCUMENT DATED JULY 13. BRAZILIAN
DELEGATION (BOTAFOGO AND OTHERS) WAS UNABLE TO MAKE
IMPROVEMENTS REQUESTED IN ATTACHMENT 1 OF TPSC DOCUMENT
OR TO CONSIDER ADDITIONAL CONCESSIONS ON REQUESTS IN
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PAGE 02 GENEVA 11177 01 OF 03 201219Z

ATTACHMENT 2 WITHOUT REFERRING MATTER BACK TO BRASILIA.
ALTHOUGH DELEGATION HAD SOME LATITUDE WITH RESPECT TO
ORIGINAL OFFERS BRAZIL HAD MADE, THIS LATITUDE WAS
LIMITED. BRAZILIAN DEL WAS UPSET AT U.S. TACTIC OF
SUBMITTING NEW MTN SUPPLEMENTARY LIST FOR COMPENSATION
AND INDICATED THAT THIS WOULD CONSIDERABLY LENGTHEN AND
COMPLICATE THE NEGOTIATIONS. BRAZIL AGAIN QUESTIONED

OUR REFUSAL TO CONSIDER CONCESSIONS ON ITEMS IT HAD OFFERED BUT WHICH WE HAD INDICATED NO INTEREST (PARA 3, REF A). LATTER SESSION WAS SPENT FURTHER EXPLORING PARAMETERS BOTH SIDES COULD ACCEPT AND IN CLARIFYING THOSE ITEMS ON WHICH U.S. AND BRAZIL HAVE ALREADY AGREED.

3. FOLLOWING POINTS EMERGED FROM THESE MEETINGS:

A. LIST OF ITEMS IN PARA 5 ARE THOSE UPON WHICH U.S. AND BRAZIL HAVE AGREED. BRAZIL CALCULATES IMPORT AVERAGE VALUE FOR 1972-74 PERIOD ON THESE ITEMS AT \$95 MILLION. BOTAFOGO, HOWEVER, STRESSED THE QUALITATIVE IMPORTANCE OF THESE ITEMS BY NOTING THAT BRAZILIAN AVERAGE IMPORT FIGURES FOR 1975-77 TOTAL NEARLY \$200 MILLION. WE SAID THAT THIS WAS INTERESTING BUT ADDED THAT THE TRADE IN THE WITHDRAWN ITEMS PROBABLY WOULD HAVE INCREASED AT A SIMILAR OR GREATER PACE. SINCE IT IS NOT POSSIBLE TO KNOW WHAT WOULD HAVE BEEN THE TRADE IN WITHDRAWN ITEMS HAD RATES ON SOME OF THEM NOT BEEN INCREASED, TRADITIONAL PRACTICE IS TO USE THE 3-YEAR PERIOD PRIOR TO WITHDRAWALS FOR CALCULATING PREJUDICE AND COMPENSATION. BOTAFOGO SAID HE WAS NOT TRYING TO SHIFT THE BASIS OF CALCULATION BUT RATHER TO POINT OUT THE QUALITY OF THESE CONCESSIONS.

B. AFTER EXPRESSING DISAPPOINTMENT AT U.S. SUBMIT-
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PAGE 03 GENEVA 11177 01 OF 03 201219Z

SION OF ADDITIONAL LIST FOR CONCESSIONS, BRAZIL DEL
WITHDREW ALL PREVIOUS OFFERS THAT U.S. HAD NOT YET
ACCEPTED INCLUDING THOSE IN ATTACHMENT 1 OF TPSC DOCUMENT
AND SUBSTITUTED PACKAGE OF OFFERS INCLUDING THE FOLLOWING:

-	RATE OF DUTY	
-	(PERCENT AD VAL.)	
BTN	DESCRIPTION	PERMANENT OFFER

29.06.11.00	HYDROQUINOL (HYDROQUINONE, 15	30
-	DIHYDROXYBENZENE, QUINOL)	

29.06.16.00	RESORCINOL (METADIHY-	
-	DROXYBENZENE)	15 30

38.11.02.00	EX INSECTICIDES	37 50
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38.11.03.02	HERBICIDES	37 50
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IN ADDITION BOTAFOGO SAID THAT QUALITY OF COMPENSATORY PACKAGE MIGHT BE IMPROVED BY REDUCING TARIFF QUOTA RATE ON PEARS AND APPLES FROM 15 PERCENT TO 5 PERCENT. HE STRESSED THAT THIS OFFER SHOULD BE CONSIDERED A PACKAGE

ON A "TAKE IT OR LEAVE IT" BASIS IN AN ATTEMPT TO WRAP
UP THE NEGOTIATIONS. AFTER REFLECTION WE REPLIED THAT
OFFER WAS INADEQUATE AND THAT WE PREFERRED TO CONTINUE
TO SEEK IMPROVEMENTS IN ATTACHMENT 1 AND THE ADDITION OF
OTHER ITEMS FROM PREVIOUS REQUEST LISTS. WE POINTED OUT
THAT BRAZILIAN OFFER ON INSECTICIDES AND HERBICIDES
(ITEMS ON U.S. MTN INDICATIVE LIST) WAS AN OFFER OF A
CEILING BINDING ON TWO TARIFF ITEMS THAT HAD PREVIOUSLY
BEEN WITHDRAWN. WE SAID THAT IF BRAZIL WERE TO BIND AT
THE EXISTING RATE OF 37 PERCENT IT WOULD MEAN THAT THE
ITEMS HAD NOT BEEN WITHDRAWN AND WE WOULD LOWER THE
FIGURE OF TRADE DAMAGE RESULTING FROM THE WITHDRAWALS.
WE WERE WILLING TO GIVE THE BRAZILIANS CREDIT FOR THESE
ITEMS ONLY IF BRAZIL MET THE U.S. REQUEST FOR A REDUCTION
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PAGE 04 GENEVA 11177 01 OF 03 201219Z

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PAGE 01 GENEVA 11177 02 OF 03 201227Z
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INFO OCT-01 STRE-00 ISO-00 IO-13 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 XMB-02 OPIC-03 OIC-02 AF-10
ARA-10 EA-10 EUR-12 NEA-10 /173 W
-----115129 201231Z /43

R 201200Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 2332
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LIMITED OFFICIAL USE SECTION 02 OF 03 GENEVA 11177

PASS STR ELECTRONICALLY

IN THEIR TARIFF RATES. BRAZILIAN DEL FINALLY AGREED TO

WITHDRAW THIS OFFER AND TO RETURN TO CONSIDERATION OF ATTACHMENTS 1 AND 2 OF AFOREMENTIONED TPSC DOCUMENT. HE SAID, HOWEVER, THAT THIS WOULD NECESSITATE INTERAGENCY DISCUSSIONS IN BRASILIA SINCE HE DID NOT HAVE SUFFICIENT AUTHORITY TO CONSIDER ADDITIONAL REQUESTS AS PER ATTACHMENT 2.

C. IN CLARIFYING OFFER ON APPLES AND PEARS, BOTAFOGO CONFIRMED THAT OFFER IS A TARIFF RATE QUOTA OF 10,000 MT AT 15 PERCENT. ALL PEARS AND APPLES ABOVE QUOTA DURING SEASONAL PERIOD AUGUST 1 - DECEMBER 31 WILL ENTER AT NORMAL RATE OF 32 PERCENT. THIS IS AN MFN TARIFF RATE QUOTA AND IMPORTS FROM PREFERENTIAL LAFTA COUNTRIES WILL NOT BE COUNTED AGAINST QUOTA.

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PAGE 02 GENEVA 11177 02 OF 03 201227Z

D. ON LICENSING, WE SAID U.S. REQUIRED A WRITTEN NOTE INDICATING THAT LICENSES ON BRAZILIAN COMPENSATORY CONCESSIONS WOULD BE GRANTED AUTOMATICALLY. BOTAFOGO SAID THAT THIS WOULD BE DIFFICULT TO DO SINCE IT WOULD IMPLY THAT BRAZIL HAD A DISCRETIONARY LICENSING SYSTEM WHICH IT DOES NOT HAVE. TO SAY THAT SOME ITEMS WOULD BE GRANTED AUTOMATIC LICENSING MEANS THAT OTHER ITEMS WERE NOT SUBJECT TO AUTOMATIC LICENSING. WE SAID THAT WE THOUGHT SOME FORMULATION OF WORDS COULD BE WORKED OUT THAT COVERED BOTH BRAZIL'S FEAR OF SELF-INCRIMINATION AND OUR NEED FOR ASSURANCES THAT LICENSES WOULD BE GRANTED RAPIDLY. BOTAFOGO INDICATED THAT HE THOUGHT THIS COULD BE "MANAGED."

E. WITH RESPECT TO SURCHARGES BOTAFOGO SAID THAT HE DID NOT THINK ANY TYPE OF WRITTEN ASSURANCES WERE POSSIBLE ALTHOUGH HE WOULD EXPLORE THE MATTER WITH THE MINISTRY OF FINANCE UPON HIS RETURN TO BRASILIA. HE SAID THAT AS A MATTER OF POLICY BRAZIL HAD NOT APPLIED SURCHARGES TO GATT-BOUND ITEMS, ALTHOUGH IT HAD THE RIGHT TO DO SO FOR BALANCE OF PAYMENTS REASONS. ALSO, IT WAS BRAZIL'S INTENTION AND EXPECTATION THAT SURCHARGES WOULD BE GRADUALLY REMOVED AS THE PAYMENTS SITUATION IMPROVES. HE DID NOT THINK THAT BRASILIA WOULD BE WILLING TO GO MUCH BEYOND AN EXPRESSION OF THIS EXPECTATION AND GENERAL POLICY.

F. STAGING -- WHEN IT BECAME EVIDENT THAT BRAZIL DEL HAD LITTLE FLEXIBILITY WITH RESPECT TO THE REDUCTION OF TARIFF RATES, WE EXPLORED POSSIBILITY OF STAGING SUCH REDUCTIONS OVER A PERIOD OF YEARS. BOTAFOGO POINTED OUT THAT REDUCTIONS OF TARIFF RATES BELOW 30 PERCENT ARE VERY DIFFICULT AND REQUIRE SPECIAL AUTHORIZATION. IT

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PAGE 03 GENEVA 11177 02 OF 03 201227Z

IS PARTIALLY FOR THIS REASON THAT HE MUST RETURN TO BRASILIA TO RESPOND TO OUR REQUESTS. ALTHOUGH HE COULD NOT INDICATE IF STAGING WOULD ALLOW THE BRAZILIANS TO MEET U.S. REQUESTS, HE APPEARED INTERESTED IN THE POSSIBILITY. HE SAID THAT, IF STAGING WAS ATTRACTIVE TO BRAZILIAN AUTHORITIES, THEY WOULD PROBABLY PREFER A STAGING SIMILAR TO THAT AGREED TO IN THE MTN SINCE THIS WOULD MAKE IT EASIER TO PRESENT THE RESULTS TO BRAZILIAN INTEREST GROUPS.

4. BOTAFOGO EXPECTS BRAZILIAN TEAM TO RETURN TO GENEVA IN SEPTEMBER TO PURSUE MTN NEGOTIATIONS. HE SAID, HOWEVER, THAT HE WILL ATTEMPT TO GET REPLY TO US BY MID-AUGUST ON LATEST U.S. REQUESTS.

5. AS PER INSTRUCTIONS PREVIOUS TPSC DOCUMENTS, WE HAVE TO DATE ACCEPTED FOLLOWING BRAZILIAN OFFERS OF COMPENSATION.

BTN	DESCRIPTION	OFFER
08.06.01.00	APPLES	1
08.06.02.00	PEARS	1
29.09.04.00	PROPYLINE OXIDE (PROPYLINE	
-	EPOXIDE)	30
32.09.02.05	ANTICORROSION PAINTS, BASED	
-	ON ALUMINUM POWDER OR RED	
-	LEAD	30
38.14.01.00	ADDITIVES FOR GREASING AND	
-	LUBRICATING OILS	30
-	REMARK: THIS CONCESSION DOES NOT	
-	INCLUDE THE FOLLOWING TYPES OF	
-	ADDITIVES:	
-	A. DISPERSANT ADDITIVES WITHOUT ASH	

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PAGE 04 GENEVA 11177 02 OF 03 201227Z

- B. ANTI-WEARING DOWN ADDITIVES/

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PAGE 01 GENEVA 11177 03 OF 03 201318Z

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OMB-01 DOE-15 JUSE-00 OPIC-03 XMB-02 OIC-02 AF-10
ARA-10 EA-10 EUR-12 NEA-10 /173 W
-----115768 201321Z /41

R 201200Z JUL 78

FM USMISSION GENEVA
TO SECSTATE WASHDC 2333
INFO AMEMBASSY BRASILIA
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LIMITED OFFICIAL USE SECTION 03 OF 03 GENEVA 11177

PASS STR ELECTRONICALLY

- ANTI-OXIDIZING ADDITIVES/
- ANTI-CORROSION BASED IN ZINC
- SALT (ZINC DI-ALKYL DI-THIO-
- PHOSPHATE AND ZINC DI-ARYL
- DI-THIOPHOSPHATE)

- C. VISCOSITY IMPROVERS, MONO
- AND MULTI FUNCTIONALS

- D. ANY KIND OF ADDITIVE MIX-
- TURES CONTAINING ANY COMPONENTS
- REFERRED ABOVE AT ITEMS A, B, C

38.14.02.01 BASED ON TETRAETHYL LEAD 20
39.01.02.09 SILICONES 15
40.02.99.04 POLYCHLOROBUTADIENE RUBBER 30
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PAGE 02 GENEVA 11177 03 OF 03 201318Z

84.05.02.00 STEAM TURBINES 30
84.22.09.00 SELF-PROPELLED WHEELED OR TRACKED
- CRANES, EXCLUDING VEHICLES

- FALLING WITHIN CHAPTER 87 30
- 84.23.02.10 TWO-WHEELED DRAWN SCRAPERS WITH
- AUXILIARY DRIVING UNIT 30
- 84.35.05.00 ROTARY PRESSES FOR PRINTING
- NEWSPAPERS 15
- 84.56.99.00 OTHER MACHINERY FOR SORTING,
- SCREENING, SEPARATING, ETC. 45
- 84.60.02.01 CHILL-MOULDERS 30
- 85.15.07.00 CONTROL PANELS, INCLUDING AUDIO
- AND VIDEO CONTROL PANELS 50
- 85.19.02.99 OTHER AUTOMATIC APPARATUS FOR
- MAKING AND BREAKING CONNEC-
- TIONS, DRY, EXCLUDING THOSE
- OF HEADINGS NOS. 85.19.02.01/
- 85.19.02.02/85.19.02.03 45
- 85.19.02.01 AUTOMATIC CONTROL AND SAFETY
- APPARATUS FOR BREAKING CIRCUITS
- IN OIL OR OTHER LIQUIDS, GASES
- OR COMPRESSED AIR, WEIGHING
- UP TO 2.000 KG 30
- 85.19.05.99 OTHER APPARATUS FOR MAKING
- CONNECTIONS TO OR IN ELEC-
- TRICAL CIRCUITS 55
- 87.02.03.05 DUMPERS, SPECIALLY BUILT FOR
- HEAVY DUTY, INTENDED FOR THE
- TRANSPORT OF MINERALS, STONES,
- EARTH AND THE LIKE, WHICH
- CANNOT BE IDENTIFIED AS
- COMMERCIAL OR CURRENT-TYPE
- TIPPING LORRIES MODIFIED

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PAGE 03 GENEVA 11177 03 OF 03 201318Z

- OR REINFORCED FOR SUCH
- PURPOSES (OFF ROAD TRUCKS) 30
- 90.10.18.00 OPTICAL PHOTO-COPYING APPARATUS 30
- 90.19.99.00 EX OTHER ORTHOPAEDIC APPLIANCES 0
- 90.28.99.00 OTHER ELECTRICAL MEASURING,
- CHECKING ANALYSING OR
- CONTROLLING INSTRUMENTS OR
- APPARATUS 15

GLOBAL QUOTA OF 10,000 T (FROM AUGUST 1 TO DECEMBER 31
COVERING BOTH ITEMS TOGETHER).

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Message Attributes

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Concepts: NEGOTIATIONS
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Copy: SINGLE
Draft Date: 20 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
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Review Event:
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SAS ID: 1943695
Secure: OPEN
Status: NATIVE
Subject: ARTICLE XXVIII NEGOTIATIONS - BRAZIL
TAGS: ETRD, BR, GATT
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/855a3570-c288-dd11-92da-001cc4696bcc
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